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**TRUST, ALLIANCE MANAGEMENT CAPABILITY AND THE  
ALLIANCE MANAGEMENT FUNCTION: A COMPARATIVE  
ANALYSIS OF PORTUGUESE SMEs**

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## **Abstract**

Strategic alliances represent a key driver for internationalization and growth, being the purpose of this work project to better understand the intertwined relationship between trust and the existence of an alliance management position. Previous research supports the positive impact of such position in stock market returns. However, little attention has been given to the impact of such position on the level of trust in the collaborative arrangement, which is deemed to be a key driver for alliance success. A qualitative comparative case-study of three Portuguese SMEs is used to draw conclusions from the literature to real life business cases and it demonstrates the positive impact of an alliance management position on trust.

**Keywords:** Strategic Alliances; Alliance Management Function; Trust

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## **1. Introduction**

The rate of formation of Strategic Alliances have been increasing in recent years (Dyer, Kale & Singh 2001).

Strategic Alliances are agreements between firms to pursue mutually beneficial objectives by sharing resources while remaining as independent organizations. These type of cooperative agreements enable firms to acquire new skills and resources, to gain access to new technologies and markets and even to increase their market power (Varadarajan & Cunningham 1995).

However, in spite of the obvious advantages of such arrangements, it is estimated that 60% of Strategic Alliances fail (Spekman et al. 1996). Among the key success factors for Strategic alliances one encounters trust (Ireland et al. 2002) and the existence of an alliance manager (Kale et al. 2002), a person that is responsible for coordinating all the alliance related activity.

Previous research has addressed the positive impact of an alliance management position in the stock market performance of firms (Kale et al. 2002). Moreover, it has been studied the positive impact of such position in the success rate of strategic alliances (Dyer et al. 2001), as well as, in the number of strategic alliances that a particular firm possesses (Dyer et al. 2001). Furthermore, the competencies and skills of the alliance managers, along with their roles throughout the alliance life-cycle have also been studied (Spekman et al. 1996). However, little research has been done in what regards to the impact of the alliance management position in the levels of trust in Portuguese Small-to-medium-sized enterprises

(SMEs). Additionally, this position is regarded to be less effective as the enterprise size diminishes (Schreiner et al. 2009).

Therefore, the main purpose of this study was to verify the importance of the alliance manager in terms of trust in the context of Portuguese SMEs, having the latter as unit of analysis. The research objective was to compare and contrast the impact of this function on the levels of trust in the collaborative arrangement by analyzing three Portuguese SMEs. An enterprise size class that is “the backbone of the European Economy” (ECORYS 2012) and represented 41% of the sales volume and 44% of the employment in what concerns the non-financial institutions in Portugal in the year of 2012 (Banco de Portugal 2013). The SMEs at study are mentioned as Window Co., Electric Co. and Machine Co. The first is a manufacturer of windows and doors that operates essentially in Portugal. The second is a company which operates in the construction and Energy sectors and is especially focused in the African market. The third firm manufactures heavy machinery equipment, which is catered all across the globe.

The present work project starts with a brief literature review followed by an explanation of the research methodology, which encompasses a concise overview of the analyzed firms. Subsequently, the results of the study are presented individually and in the form of a comparative analysis. Lastly, it is presented a discussion of the research topic, followed by a conclusion and final thoughts regarding the limitations of the study, future research directions and implications for practitioners.

## **2. Literature Review**

According to Ireland et al. (2002), “Strategic alliances are cooperative arrangements between two or more firms to improve their competitive position and performance by sharing resources”. Among the vast array of these collaborative arrangements, one finds consortia, value-chain partnerships, joint-ventures (equity and non-equity) and even joint marketing or R&D.

Research suggests that the lack of cooperation and the existence of opportunistic behavior in this type of collaborative arrangements are often the source of failure (Das & Teng 2014). Moreover, a great number of alliances fails in meeting expectations, mainly due to the lack of attention given to the interpersonal connections that link both parties of the strategic alliance and by neglecting the creation of close working relationships (Huft et al. 2000). One may also infer that both these reasons for failure are intrinsically linked with the deficient development of personal relationships. These relationships build up psychological connections between people, increasing trust and reciprocity in economic exchange (Schreiner et al. 2009). Evidence of such behavior is the repeated prisoner’s dilemma in a social interactions context, when using the same actors. In this situation, cooperative behavior increases with the frequency of interactions (Duffy & Ochs 2009). In such a way it shows the importance of fostering relationship building and interaction between partnering organizations as a way to nurture cooperative behavior.

In fact, a key ingredient for the success of strategic alliances that is often overlooked is Social Capital. It increases the willingness to share resources among partners (Ireland et al. 2002). Social capital comprises the goodwill available to individuals or

groups that derives from the structure and the quality of the actor's social relations (Adler & Kwon 2002). In this sense, social capital can be divided into different dimensions (Moran 2005), one of which is the relational dimension. This dimension represents the quality of the actor's relationships and is partially characterized by trust (Moran 2005). Furthermore, trust has been considered as a catalyst for building social capital and leading to alliance success (Ireland et al. 2002). The importance of trust is therefore a recurrent topic in the literature regarding the success of strategic alliances. The term is sometimes studied with regard to its direct or indirect impact in the success of such collaborative arrangements. In such a way, the more trust is perceived by the actor the more likely the actor will deploy the needed resources, which are essential for the success of the collaborative arrangement.

Trust has been defined in a great variety of ways, but mostly according to its level of analysis, being it interpersonal trust or inter-organizational trust (Zaheer et al. 1998). In general, trust can be defined as "positive expectations regarding another's goodwill, contributing to reduce uncertainty" (Das & Teng 2001). Nonetheless, in this work project trust will be analyzed at the individual level. According to Gabarro (1978) trust can be divided into two different dimensions in accordance to its origin: character-based trust and competence-based trust. The first comprises the other's motives, behavioral consistency and integrity. The second encompasses the other's functional or specific competence and interpersonal competence.

Moreover, as the literature demonstrates, little attention has been given to the interpersonal relationships between boundary spanning employees who work in the partnering organizations (Huft et al. 2000). In fact, as strategic alliances evolve, personal

relationships take over formal roles to accelerate the alliance processes and informal psychological arrangements are put in place (Huft et al. 2000) and “manager-to-manager relationships formed during negotiations provide the social structure to realize alliance goals” (Huft et al. 2000).

## **2.1. Alliance Management Function and Trust**

Among the vast array of contributors to the success of strategic alliances one encounters the existence of a dedicated alliance function (Kale et al. 2002). The dedicated alliance function consists in the existence of an Alliance Manager that is responsible for coordinating the alliance related activities. This dedicated function helps in accumulating learning from previous strategic alliances and transferring this knowledge to future collaborative arrangements (Kale et al. 2002) further impacting the performance of the future collaborative arrangements. In spite of these findings, it is conceivable that firms who experience a superior performance in strategic alliances have also put into place the right procedures and have an organizational structure that helps them excel in this type of collaborative arrangements and the alliance management function is a reflection of these aspects and processes that were put in place (Kale et al. 2002).

Throughout the alliance life cycle, the responsibilities of the alliance manager vary significantly. In an earlier stage, the alliance manager helps in choosing the right alliance partner and, at a later stage, he is responsible from preventing the escalation of conflicts and coordinating with the alliance partner (Spekman et al. 1996). This type of managers often rely on their informal networks and personal connections, as they are facilitators and networkers linking different people and parts of the organization (Spekman et al. 1996).

The concentration of such tasks under the same role helps in increasing the frequency of interactions, which is deemed to be a driver for trust building and consequently contributes to develop social ties and cooperation. On the other hand side, it may diminish the velocity of the decision making process and therefore create a bottleneck. Moreover, the existence of such function also represents an investment in human resources and in order to justify the inherent costs of this function companies may need to be large enough to draw the necessary value out of the alliance manager (Kale et al. 2002).

## **2.2. Alliance Management Capability**

The high complexity of strategic alliances may require specific capabilities to manage it and to succeed in these types of collaborative arrangements. Therefore, firms who are able to efficiently manage and succeed in this type of collaborative arrangements may have a superior organizational capacity to manage alliances, which is called alliance management capability. In a world where strategic alliances are critical for internationalization and growth, having alliance management capability can be seen as a competitive advantage (Schreiner et al. 2009).

According to Schreiner et al. (2009) alliance management capability, comprises the skills needed for managing a strategic alliance, which constitute the following dimensions:

- *Coordination*: Consists in managing the interdependences between partners, the resolution of conflicts and the ability to adapt to the changing dependencies of the partner and to define tasks, roles, objectives and responsibilities (Schreiner et al. 2009).
- *Communication*: “Is the glue that holds the alliance together” (Schreiner et al. 2009). It comprises the delivery of knowledge and information to the partner in an time efficient way



and with accuracy. Communication increases the information transparency in the collaborative arrangement. An honest and open communication enables the partnering firms to exploit beneficial tradeoffs and better align their interests. It is divided into informal and formal communication, both extremely important to build social ties and increase the velocity of the alliance process (Schreiner et al. 2009).

- *Bonding*: The building of personal bonds, which often arises from increasing the number and the quality of the interactions between the representatives of the partnering firms. Common goals and objectives which create a sense of belonging and builds psychological contracts between individuals. Moreover, it promotes trust and increases cooperation by replacing the formal ties with informal ones as the alliance progresses. Nevertheless, this process has its own drawbacks as it is extremely time consuming (Schreiner et al. 2009).

In this sense, this work project sets to analyze the post formation management of Strategic Alliances. More particularly, it helps to understand the intertwined relationship between the capability to manage a strategic alliance, the trust in the collaborative arrangement, but more specifically in understanding the importance of an alliance management function on the levels of trust.

### **3. Methodology**

In order to conduct the present work project, it was used a qualitative research method. Qualitative research methods were designed to explore the human elements of a certain topic and to capture individual's feelings or interpretations of a given situation (Given 2008). Furthermore, it is often used in the social sciences discipline (Given 2008) and is suitable to pursue the answering of the exploratory question of the present study.

Regardless of the findings of this Work Project being supported by theory, the sample does not support the generalization of the insights obtained in the study due to its small size. Hence, the option to use a comparative case study format. The narrow time scope of the work project and for the reason that the sample was built upon personal connections, it was not possible to enlarge the number of study subjects. Nevertheless, the study sheds light upon the relationship between the studied variables in the particular cases that are presented.

The research method for this Work Project consisted on a multiple case-study having as unit of analysis each firm. Semi-structured interviews were used as a primary data collection method. The interview format was loose, being composed by a vast majority of open ended questions. Nonetheless, the interviews followed a guideline that was developed taking into account different constructs, which were established and successfully used in previous studies and were reviewed in the literature review section<sup>1</sup>.

The semi-structured interviews were conducted with three different SMEs. These companies have proven ability in their business operations, having been recognized with several awards such as “PME Líder” and “PME Excelência”<sup>2</sup>. These two prizes are awarded by Instituto de Apoio a Pequenas e Médias Empresas e à Inovação (IAPMEI). Despite the companies’ operations being present in different sectors and geographic scopes, all of them have several common characteristics. They are all SMEs, they all have their headquarters in Portugal, they are all recognized by their excellence and they are all partners in different strategic alliances (See Table 1). The interviews were held with

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<sup>1</sup> See Appendix 1 to consult the interview guideline

<sup>2</sup> See Appendix 2 for a detailed description of the awards

representatives of each company and took between 30-60 minutes each one. The interviews were all held in Portuguese and were tape-recorded to be further transcribed and translated to English. The name of the companies and of the interviewees was coded to protect their identities. At the beginning of each interview the purpose of the work project was explained to the interviewees. It was also stated that the respondent's identity could remain partially anonymous along with the name of the firm he was representing in a way to facilitate the disclosure of more sensitive information (Given 2008).

### **3.1. Overview of the companies**

Although it is not in the scope of this study to characterize the type of Strategic Alliance and the business of each of the interviewed companies, it is tantamount to characterize the sample of the study by providing a brief overview of the dynamics of the collaborative arrangement and the importance that these represent to each firm's business activity.

#### **3.1.1. Window Co.**

The company is a manufacturer of windows and doors in PVC and aluminum that operates its own factory and caters its solutions in the Portuguese market through a B2B model. This firm is a "premium partner" of a well-known German supplier and it is in a supply-chain partnership with the latter. The status of "premium partner" acts as a quality stamp for the products manufactured by the company and enables it to benefit from its partner marketing efforts. Window Co. is a manufacturer of reference in the Portuguese market, being one of the largest producers of this German brand in Iberia. Moreover, the company utilizes its partner solutions that arise from a worldwide expertise and R&D. Window Co. also benefits from its partner bargaining power in some negotiations with other suppliers. On

the other hand-side the supplier/ partner benefits from having this high quality manufacturer, which is a reference in the Portuguese market, supplying its branded products. The company has received several awards, being recognized as a “PME Líder”.

### **3.1.2. Electric Co.**

The company operates in the energy and construction sectors and has a B2B model. The firm is present in Portugal, Angola, Mozambique, Guinea-Bissau and São Tomé and Príncipe. In these countries the company displays its presence in the form of strategic alliances with local institutions, being it local enterprises or governments. In São Tomé and Príncipe, the company is in a consortium with the local government for the maintenance and installation of several components of the electrical grid in specific locations of the country. To Electric Co. this represents the possibility to expand the operations to a new market, whilst dramatically reducing the costs and the uncertainty of their local operations. For the local government, the consortium brings in expertise in designing and maintaining the electric grid by taking advantage of the advanced technological solutions that otherwise would be difficult to obtain and providing training to local workers. The company was awarded as a “PME Líder”.

### **3.1.3. Machine Co.**

The company is located in Portugal and is a manufacturer of heavy machinery. More specifically, it manufactures equipment that is used in the recycling process of metal. The company has several strategic alliances and its partners are spread all across the globe. All these collaborative arrangements are established in the same molds, and are labeled as Cooperative Joint Ventures. The primary function of these partners is to act as the firm’s representatives in their home countries by being responsible for catering the firm’s products

in their domestic market and to provide assistance in the assembly and maintenance of the machines. The Portuguese market represents very little of the Machine Co. sales and therefore these partnerships are the main sales driver and the principal method of internationalization. The firm has been as “PME Líder” and “PME Excelência”.

**Table 1- Interviews**

<i>Company</i>	<i>Interviewee</i>	<i>Employment position</i>	<i>Date</i>	<i>Industry/ Sector</i>	<i>Type of Strategic Alliance</i>
Window Co.	1	General Manager	24/11/2014	Manufacturing	Value-chain partnership
Electric Co.	2	General Manager	25/11/2014	Energy/ Construction	Consortium
Machine Co.	3	Sales Manager	27/11/2014	Manufacturing of heavy machinery	Cooperative Joint Venture

## **4. Results**

### **4.1. Alliance Management Function**

From the three studied firms, only Machine Co. exhibited an alliance management function. The remaining firms regarded that the primary point of contact with the partners was made by the management team. More specifically, the general managers of each of these latter firms were the primary responsables for the interactions with the strategic alliance’s partners.

Both Interviewee 1 and 2 acknowledged that the existence of an alliance management function could be an added value under some circumstances. Interviewee 2 regarded that *partnering with other firms is half the road to success (...)* and the alliance management function would particularly add value to his firm in the African Market. Nevertheless interviewee 2 admitted to know the majority of the market players he could collaborate with, due to the very specific line of business that Electric Co. operates in. On

the other hand side, Interviewee 1 regarded that this function would not add value to his company and since the management designs the strategy of the company, it is also the management role to deal with partners and to establish alliances. However, he acknowledged that such function could add value in a company with a bigger scale.

**Machine Co.** had alliance managers, these were individuals that were responsible for coordinating all the alliance related activity (Kale et al. 2002). These alliance managers were described by Interviewee 3 as follows: *We have two persons that are responsible for finding the markets and the correct partners for those markets. After this assessment, if the alliance is taken forward, the person who contacted the company in the first instance is the main responsible for dealing with that particular company throughout the time we will be working together, being completely responsible for that particular relationship.* Interviewee 3 acknowledged that the process of establishing a new alliance is very time consuming, taking at least six months. At a first stage, they receive the partner in Machine Co. headquarters. Afterwards, they visit the partner's operations and compare if it matches with the data they had previously gather in the process of searching for a partner. Moreover, the company attributed a great importance to the existence of this position in a way to better coordinate and communicate with their partners and to have a better insight of their operations. *We are talking about people that speak different languages, have different businesses, they want to have someone who understands them and understands their operations. It is always the same person managing that particular relationship* (Interviewee 3).

#### **4.2. Alliance Management Capability**

#### 4.2.1. Coordination

In what regards **Window Co.**, Interviewee 1 viewed change with a positive outlook, especially when it has a positive impact on the quality of the manufactured products. However, he stated that some changes are more difficult to accommodate: *Changes in terms of databases are difficult to make*. Indeed, Interviewee 1 regarded information to be the most valuable thing in his headquarters. Concerning the frequency of contact with the partner, Interviewee 1 described it as follows: *In the beginning the contact was more frequent as we had to establish the type of relationship we were going to have*.

Regarding **Electric Co.**, Interviewee 2 stated that it was very difficult to adapt to changes in the collaborative arrangement, especially in Africa. In fact, *we have to be ready for everything, even to get in a plane and leave the country if we need to. It is my belief that for us to succeed in a partnership we have to adapt to our partner*. Moreover, Interviewee 2 acknowledged that adaptability is key for harvesting the full potential of the collaborative arrangement. As an example of a positive change in the alliance, Interviewee 2 added: *initially with one of our partners we had agreed to pay them his royalty in the moment we invoiced our clients. But then, the clients did not pay us and we were in debt with our partners. Fortunately we have taken this into account and renegotiated the terms. Now we only pay our partners after we get paid by our clients*.

In what respects to **Machine Co.**, Interviewee 3 confirmed the importance of the visit to the partner's operations and regarded it as the major source of interaction and direct contact. Moreover, this interaction was needed to coordinate the selling process and maintenance contract of the machines, as the latter is usually provided by the partner. Interviewee 3 stated: *When there is a buyer our partner comes into contact with us and we*

*go there to help him selling the machine, it is all in a case by case basis. (...) the selling process can take between 6 months to 1 year. We are a tailor of machines.* Furthermore, Interviewee 3 acknowledged that an efficient maintenance of the machines is extremely important for his clients, being a key responsibility of the partnering firm.

#### **4.2.2. Communication**

Regarding **Window Co.**, Interviewee 1 described that the communication necessities were *dramatically reduced* as the alliance evolved. In the current days, most of the communications of Window Co. with the partnering firm are with the intent of solving technical issues and preparing the launch of new products. Moreover, Interviewee 1 acknowledged knowing some of the directors of the partnering firm, like the head of Ibeira. However, the contact with those directors is more on an annual basis, having the commercial department of the partnering firm as the main contact. Nonetheless, *in the face of serious problems we contact the more senior personnel* (Interviewee 1).

In what concerns **Electric Co.**, Interviewee 2 recognized that the communication with the partnering firm *works well, mainly through the internet*. And that a system was put in place by having *lists of tasks that are shared on a weekly basis that comply with the functioning of our partnership. Sometimes we have to be cautious, as some partners want to change the rules in the middle of the game*. Interviewee 2 acknowledged that he always strives to create an informal environment, but it depends according to the specific person he is dealing with. *For instance, if I go to have a meeting with the president it requires a more distant approach and a more formal dress code* (Interviewee 2).

In what regards the type of information shared with the partner: *Well, we use to say that the secret is the soul of the business. There are certain things in our business that are*



*completely common sense. But, there is other stuff that we do that is more complex. We do not hide it, but we also do not divulge it. In a certain way, this is our warranty to keep on doing business there. Because when they start to know as much as we do I am sure they will kick us out of there. We are partners, we are friends, but we must keep our secret weapon.*

When it comes to **Machine Co.**, Interviewee 3 described the communication as being, in general, very informal. *In this moment I can pick up my phone and call every one of our partners and talk a bit about him, the business and other matters.* However, Interviewee 3 added that this was not the case when it comes to bigger companies or companies in eastern European countries, which required more formality and as an example attributed a less degree of formality when dealing with companies from Brazil, Mexico and Chile. Communications at distance were made through e-mails, videoconference and telephone calls. Moreover, Interviewee 3 pointed out that: *Every deal is different, there is the negotiation regarding the machine and also the maintenance contract of our local partner. A lot of telephone contact and personal visits every three months, worst case situation in every six months.*

Regarding the information shared with the partners, Interviewee 3 recognized that there is no confidential information. However, the more technical drawings were not shared, in Interviewee 3's words: *I don't give them the necessary information for them to go to another factory and have our machine built.*

#### **4.2.3. Bonding**

The manager of **Window Co.** stated: *My personal relationship with the partner does not impact business at all.* Interviewee 1 identified the commercial department of the partner has a vehicle for technical information and preferred not to have a frequent personal

contact. *Sometimes it is a waste of time when the commercial arrives here at our factory. We talk a lot and no value is added to the business. It is time consuming for him, but also for me* (Interviewee 1).

In what regards **Electric Co.**, Interviewee 2 stated: *Personal relationships are the foundation of all this. If I invite them to come lunch with us, to come to the beach with us, we create a relationship that lightens up the environment and accelerates how stuff is processed. It also decreases the importance of the problems that may occur.* Moreover, he acknowledged the time spent building personal connections to be of extreme importance.

Concerning **Machine Co.**, Interviewee 3 confirmed the importance of having a good personal relationship with the partner that should also be *flawless; we must deliver each and every single time what we committed ourselves to do.* Regarding on of the oldest strategic alliance of the firm Interviewee 3 stated that: *It is a different type of relationship, it is a great advantage to know each other way of working and to be able to speak freely. However, we work in a very specific line of business, it requires great amount of interaction. I do not sell sugar packages that seat on a shelf waiting to be sold. I sell machines that cost closely to 1M €. (...) I even know his family. Sometimes I am travelling and if I am close to one of our partners' location, I just give them a call and we go to dinner together.*

#### **4.3. Trust**

Concerning **Window Co.**, Interviewee 1 regarded character-based as the primary source of trust stating: *Trust based on the character. We as human beings, we always make this type of analysis. In terms of character it is fundamental the existence of a minimum level of*

*ethics in business. More importantly in a partnership when we should be as frontal as possible.*

Interviewee 1, described several bad past experiences with this type of collaborative arrangements, which were conducted with other Portuguese manufacturers with the main intent of extending the product offering of the company. After these collaborative arrangements failed several times *we found ourselves forced to produce some of these products. These supposed partners were trying to charge us more than what they charged directly to the final consumer* (Interviewee 1). The bad past experience may have had repercussions on the current view of strategic alliances: *When we are going to establish a new partnership we are already suspicious.*

Regarding **Electric Co.** Interviewee 2 pointed that: *These days we can't trust anyone. Taking into account that we operate a lot in Africa this is even more relevant. We have to be on the look out and be prepared for any problem that may arise.* Moreover, Interviewee 3 regarded that it was difficult to know what is behind a particular company, especially in what regards SMEs. Additionally, Interviewee 2 pointed out some of the problems that his company has faced in a recent past (...) *we had to completely stop our operations in a working site until the problems with our local partner were solved.* Nevertheless, Interviewee 2 acknowledged the importance of the existence of a minimal level of trust in the partnering firms in order to draw value from the collaborative arrangement.

In what concerns **Machine Co.**, Interviewee 3 acknowledged that: *There is a huge amount of trust in our partners. We do not have any form of written contractual agreement with our partners.* In fact, Interviewee 3 remembered the one time a formal contract was

used in a collaborative arrangement, which ended up by failing. *All of our partners have always kept with what was verbally contracted.* The partners commit to only sell Machine Co. products, which is also easy to control. *We just check their website and see what they are selling.* Moreover, Interviewee 3 acknowledged that if for any reason an alliance were to be terminated, no financial nor contractual issues would arise.

Furthermore, Interviewee 3 regarded that the main source of trust derived from its partner's character and not from his business skills or competences. Nevertheless, when it comes to the competence of the partners, Interviewee 3 stated that: *We evaluate our partners on a yearly basis, but also taking in account the history of their evaluations, for instance the sales history.* Furthermore, Interviewee 3 recognized the ability of the partnering firms to achieve the purposed objectives and stated: *We are extremely rigorous here. For instance, no machine leaves our factory without being paid.*

#### 4.4. Comparative Analysis

By comparing and contrasting the findings obtained in the two different scenarios, firms without alliance management position and firm with the alliance management position, it is possible to logically infer the effects of the existence of such position on the level of trust (See Table 2).

**Table 2 – Variables of Analysis: Comparative Analysis of the existence of an alliance management function**

Company	High level of Trust	Alliance Management Capability			Alliance Management Function
		Coordination	Communication	Bonding	
Window Co.	0	1	1	0	0
Electric Co.	0	1	1	1	0
Machine Co.	1	1	1	1	1

Window Co. and Electric Co. did not display the position of an alliance manager. Also, both of these firms did not demonstrate a high level of trust in their counterparts. Conversely, Machine Co. displayed a high level of trust as well as in exhibited an alliance management position.

In what concerns the alliance management capability dimension, both three firms exhibited coordination and communication. However, only Electric Co. and Machine Co. exhibited the bonding component of the aforementioned variable. Furthermore, Machine Co. exhibited the existence of all the variables at study. But more importantly, it exhibited a high level of trust in its strategic alliances.

The Alliance Management Capability dimensions alone do not implicates a high level of trust in the collaborative agreement as it is evidenced by Electric Co. Therefore, it is possible to logically infer that the existence of an alliance management function, along with the presence of all the dimensions of the alliance management capability variable, relates with the existence of a high level of trust.

## **5. Discussion, conclusions and limitations**

The purpose of the current study was to shed light on the importance of the alliance management function in the level of trust in strategic alliances. Other variables, such as cooperation, communication and bonding were used to characterize the alliance management capability of the studied firms. The findings of this comparative case study help in better understanding the importance of the alliance management function in the SMEs at study. Therefore, the present work project corroborates most of the aspects reviewed in the literature review section in a real life business context.

### **5.1. Alliance Management Capability**

In what regards to the coordination dimension of the alliance management capability all the three studied firms exhibited the existence of this variable. Both interviewee 1 and 2 considered some changes in the collaborative arrangement to be difficult to accommodate. However, they saw it as an opportunity for improvement and dealt well with the changes of dependencies with the partner. In the case of Machine Co. managing the dependencies with its partner was tantamount for the selling process of its products. Since the selling process also encompassed the maintenance contract delivered by the partnering firms.

In what concerns the communication dimension all of the three analyzed firms displayed the existence of this variable. The three interviewees acknowledged that it was easy to reach their respective partners and communicate with them. While Window Co. regarded its communication necessities with the partnering firm to be low, Electric Co. and Machine Co. had a more frequent contact and preferred a more informal way of communicating.

In what respects to the bonding dimension, both Machine Co. and Electric Co. attributed great importance to the personal relationship with the partnering firm representatives. Conversely, Interviewee 1 viewed it as not being important at all and to be time consuming. Consequently, Machine Co. and Electric Co. were the two companies that exhibited this variable.

### **5.2. Trust and the Alliance Management Function**

From the studied firms only Machine Co. displayed the existence of an alliance management function. These alliance managers accompanied the strategic alliance in all its

different stages, from screening for suitable partners until the end of the collaborative arrangement as Spekman et al. (1996) suggested to be the alliance manager roles. Moreover, it evidenced the impact of such position in the level of trust in the collaborative arrangement, despite the fact that the importance of the alliance management function decreases as the enterprise size decreases (Schreiner et al. 2009). Evidence of this high level of trust in the strategic alliance is found in the recurrent claims of Interviewee 3 of completely trusting in the partnering firms. Claims which are then confirmed by theory, as trust contributes for better integrating the partners and reducing formal contracting (Das & Teng 2001) and Machine Co. possessed no formal contracts with its partners. Furthermore, the extensive screening conducted by the alliance managers of Machine Co. prior to the formation of the alliance may have contributed for a higher level of trust at a later stage, as the choice of the right partner is one of the key steps for achieving success in the context of strategic alliances (Dyer et al. 2001).

Additionally, as the existence of the alliance manager contributes to the accumulation of knowledge from past collaborative arrangements (Kale et al. 2002) and being Machine Co. both the firm with more current and past collaborative arrangements and the only one with the alliance management function it might have capitalized on the knowledge that this type of function brought in to the firm, in the form of choosing the right partner, as well as, in the form of building rapport with the partnering firm representatives and building trust. Furthermore, the firm attributed great importance to building personal relationships, and frequently interacted with its partners, which is another driver for building trust, as the frequency of interaction contributes to trust building and cooperative behavior.

Moreover, it shows that the existence of this function in SMEs still holds a significant importance. Being trust seen as a pillar for successful strategic alliances (Ireland et al. 2002) it is possible to infer the importance of such position in increasing the success of collaborative arrangements and therefore corroborating the findings of Dyer, Kale & Singh (2001), which regarded the existence of an alliance manager to contribute to the success of strategic alliances.

### **5.3. Limitations, conclusions, avenues for future research and implications for practitioners**

The present study has several limitations. Firstly, it lacks generalizability, being it a comparative case study that does not aim to generalize findings. Moreover, it demonstrates limitations regarding the number of cases that were analyzed, as a greater number of cases could enable more robust findings. Additionally, other variables that are responsible for influencing trust were not taken into account due to the complexity of the subject matter. One of such variables is, for instance, the degree of control in the relationship with the alliance partner (Das & Teng 2001).

As future research it would be interesting to see a quantitative approach to the topic in order to enable for the generalization of the findings and quantitatively assess the importance of such position in strategic alliances, especially in SMEs. In addition, a recurrent topic in the conducted interviews was the difficulty in maintaining strategic alliances with other Portuguese companies. Thus, it would be important to understand if there are differences in the success between strategic alliances among Portuguese companies or between Portuguese and foreign companies. It would also be of interest to



examine the direction of the relationship between trust and the existence of an alliance management position. Research suggests the importance of such position on the stock market performance (Kale et al. 2002) and in the success of strategic alliances (Dyer et al. 2001). However, there is uncertainty if this increase in performance derives from the existence of such position or if it comes from the processes put in place to manage the alliance, as if the alliance management position would mirror the importance that a particular firm dedicates to these collaborative arrangements. Consequently, these can influence the alliance management capability of that firm and subsequently impact performance. In such a way, this is also the case of trust, as it could be a byproduct of the processes put in place by a firm which profoundly cares with its strategic alliances and therefore it has an alliance management function.

To conclude, the present study corroborates the importance of the alliance management function. In particular, it emphasizes the importance of this position in the trust levels of the strategic alliances in the context of SMEs. It is tantamount for practitioners to take the importance of this function seriously, being it a purely dedicated position, an alliance manager that only dedicates his time to manage the collaborative arrangements or a non-exclusive function. The latter implies that the alliance manager has also other responsibilities, which perhaps, is more suitable in the context of SMEs. The existence of an alliance management position has the ability to positively impact trust. being trust one of the most studied issues affecting the performance of strategic alliances (Gomes et al. 2014). Ultimately, trust contributes to a superior performance of the strategic alliance, which may, in turn, contribute for the overall performance of a given firm.

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